

Sleep Country Canada Closes Acquisition of Silk & Snow

TORONTO, Jan. 4, 2023 /CNW/ - Sleep Country Canada Holdings Inc. ("Sleep Country" or the "Company") (TSX: ZZZ), Canada's leading omnichannel specialty sleep retailer, today announced the closing of its acquisition of Silk & Snow Inc. ("Silk & Snow"), one of Canada's fastest growing direct-to-consumer sleep brands specializing in high-quality sleep and lifestyle products.

Sleep Country has acquired substantially all of the assets of Silk & Snow for approximately \$24.0 million in cash at closing and has agreed to pay up to an additional \$19.45 million in cash in early 2026 based on Silk & Snow achieving certain growth and profitability targets in aggregate for fiscal years 2023, 2024 and 2025. The transaction will be financed through Sleep Country's cash on hand and revolving credit facility.

"We're delighted to officially welcome Silk & Snow to our growing family of sleep brands as we continue to build our ecosystem and expand our innovative and sustainable product line-up" said Stewart Schaefer, President and CEO, Sleep Country Canada. "We'll support Silk & Snow and the team as they continue to build their following in Canada and the United States and drive even more growth in the business," added Schaefer.

"We're thrilled to close the deal today and join forces with Sleep Country, a Canadian icon of sleep," said Albert Chow, CEO and Co-Founder of Silk & Snow. "We look forward to continuing to deliver on our promise of offering high-quality, thoughtfully made sleep products," Chow added.

"Today, our partnership with Sleep Country is official and we launch into our next phase of growth with the support of the Sleep Country team and their incredible expertise as we expand our high-quality products and deliver even more value to our customers," said Kenneth Mo, COO, and Co-Founder.

Silk & Snow will operate as an independent entity within Sleep Country, led by Chow as CEO and Mo as COO who both will join the Sleep Country's senior leadership team.

Davies Ward Philips & Vineberg LLP served as legal counsel for Sleep Country Canada, and for Silk & Snow, Stifel GMP served as exclusive financial advisor and Fasken Martineau DuMoulin LLP served as legal counsel.

About Sleep Country

Sleep Country is Canada's leading specialty sleep retailer with a national retail store network and multiple robust eCommerce platforms. The Company has 289 corporate-owned stores and 20 warehouses across Canada and operates under retail banners: "Sleep Country Canada", with omnichannel operations in Canada excluding Québec; "Dormez-vous" with omnichannel operations in Québec; "Endy", Canada's leading direct-to-consumer online sleep solutions retailer; and "Hush", one of Canada's fastest-growing digital retailers. Recognized as one of Canada's Most Admired Corporate Cultures in 2022 by Waterstone Human Capital, Sleep Country is a purpose-led organization dedicated to transforming lives by awakening Canadians to the power of sleep and is committed to building a company culture of inclusion and diversity where differences are embraced and valued. The Company meaningfully and positively supports its environment and the communities where it operates through its comprehensive mattress and foundation recycling program that keeps mattresses out of landfills, as well as its bed donation program that contributes new and gently used mattresses and foundations to Canadian charities to help families and children in need get a good night's sleep. For more information about Sleep Country, please visit www.sleepcountry.ca.

About Silk & Snow

Silk & Snow is a leading digitally native retailer of thoughtfully made sleep essentials. Headquartered in Toronto, the Company was founded in 2017 from a successful Kickstarter campaign. Built on three core guiding principles – Better Materials, Thoughtful Manufacturing and Transparency – Silk & Snow offers high-quality sleep and lifestyle products crafted from traceable raw materials and sustainable manufacturing practices. Their curated line includes [bed sheets](#), [mattresses](#), [bed frames](#), [weighted blankets](#), and other home essentials alongside its bath line-up of [bath towels](#) and [robes](#). The Company made Canadian Business' top ten start-up list in 2020 and was ranked one of Canada's fastest growing businesses by the Globe and Mail for 2021 and 2022. For more information about Silk & Snow, please visit www.silkandsnow.com.

Non-IFRS and Other Measures

This news release refers to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS, including "Same Store Sales" or "SSS", "EBITDA", "Operating EBITDA", "Operating EBITDA margin", "Adjusted net income attributable to the Company", "Basic adjusted EPS" and "Diluted adjusted EPS". For more information on these Non-IFRS and other measures as well as a reconciliation to the most comparable IFRS measure, refer to "Non-IFRS and Other Measures" in the Company's MD&A for Q3 2022 which is available on SEDAR at www.sedar.com.

Forward-Looking Information

Certain information in this news release contains forward-looking information and forward-looking statements which reflect the current view of management with respect to the Company's objectives, plans, goals, strategies, outlook, results of operations, financial and operating performance, prospects and opportunities. Wherever used, the words "may", "will", "anticipate", "intend", "estimate", "expect", "plan", "believe" and similar expressions identify forward-looking information and forward-looking statements. Forward-looking information and forward-looking statements should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications of whether, or the times at which, such events, performance or results will be achieved. All of the information in this news release containing forward-looking information or forward-looking statements is qualified by these cautionary statements.

Forward-looking information and forward-looking statements are based on information available to management at the time they are made, underlying estimates, opinions and assumptions made by management and management's current good faith belief with respect to future strategies, prospects, events, performance and results, and are subject to inherent risks and uncertainties surrounding future expectations generally. Such risks and uncertainties include, but are not limited to, those described below under the sections "Risk Factors" and those described in the Company's 2021 annual information form (the "**AIF**") filed on March 3, 2022. A copy of the AIF can be accessed under the Company's profile on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known to the Company or that the Company currently believes to be less significant may also adversely affect the Company.

Readers are urged to consider the risks, uncertainties, and assumptions carefully in evaluating the forward-looking information and forward-looking statements and are cautioned not to place undue reliance on such information and statements. The Company does not undertake to update any such forward-looking information or forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws.

SOURCE Sleep Country Canada Holdings Inc. Investor Relations

For further information: Craig De Pratto, Chief Financial Officer, Sleep Country Canada,
investor.relations@sleepcountry.ca

<https://ir.sleepcountry.ca/2023-01-04-Sleep-Country-Canada-Closes-Acquisition-of-Silk-Snow>